Flexible Spending Accounts

Give Yourself A Raise

Health Care and Dependent Care Flexible Spending Accounts (FSAs) provide a great way to cut your expenses! You can save up to 40 percent on your family's out-of-pocket health care and dependent day care expenses. By setting aside money from your paycheck ***before*** *taxes are calculated, you lower your taxable wages. You then use the* ***tax-free dollars*** *you set aside to pay for eligible expenses. Give yourself a raise by using your FSAs!*

How the FSAs Give You a Raise

Here's an example: If you were to set aside $2,000 into your FSAs, you would save all the taxes on that $2,000. You then reimburse yourself for eligible expenses with that $2,000 of tax-free money. The chart below shows where the savings come from:

An Example of Your Tax Savings Benefits

	Without FSAs	With FSAs
Annual Pay	$36,000	$36,000
Contribution to FSAs	N/A	$2,000
Taxable Income (W-2 Earnings)	$36,000	$34,000
Federal and State Income Taxes	$5,200	$4,700
FICA (Social Security + Medicare)	$2,750	$2,600
Total Taxes	$7,950	$7,300
After Tax Expenses	$2,000	N/A
Net Spendable Income	$26,050	$26,700
PAY RAISE Estimated Tax Savings With FSAs	N/A	$650

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How the Health Care FSA Works

The Health Care FSA lets you use *tax-free* dollars to pay for eligible health care expenses not covered by your health plans. Eligible expenses must be medically necessary for a specific medical condition and not for cosmetic improvement or general health.

The Health Care FSA is for out-of-pocket expenses incurred by you, your legal spouse and your eligible dependent(s).

Your entire annual election amount is available to you on the first day of the plan year, even if it exceeds your year-to-date deposits to the account. For example, if you were to have a $500 dental visit on January 15, but only contributed $50 to the account to date for the year, you could claim the entire $500 in January, providing it does not exceed your annual election. You then pay back the plan over the course of the year with your paycheck deductions.

Eligible Dependents

You may use the FSA for expenses for any eligible dependent, whether or not that dependent is covered under your health insurance.

This would be your spouse and any unmarried dependent children who are:

- Age 18 or younger
- Your dependent child age 19 through 23 who is a full-time student
- Any developmentally disabled or physically handicapped dependent child who was so before attaining age 19, and who lives with you or in an institution, is unable to work, and depends primarily upon you for support

Eligible Expenses*

The list below is a partial list of common eligible expenses and is intended as a general guide only. You can find a more complete list of eligible expenses on TRI-AD's Web site at www.tri-ad.com.

- Acupuncture
- Acupressure and massage therapy for specific medical conditions
- Alcoholism
- Chiropractors
- Coinsurances
- Contact lenses and solutions
- Contraceptives
- Co-payments
- Deductibles
- Dental care
- Drug addiction treatment
- Drug and medical supplies
- Eye exams, prescription glasses, prescription sunglasses, contact lenses and lens solution
- Family counseling
- Hearing aids
- Lasik procedures
- Orthodontia**
- Over-the-counter drugs for treating a specific health condition, if permitted by your company's plan
- Physical therapy for a specific medical condition
- Prescription drugs
- Prescription vitamins
- Psychiatric care and psychologist's fees
- Retin-A for a specific medical condition
- Smoking cessation programs
- Weight loss programs prescribed by a doctor**

*** Special conditions apply to these expenses. Please go to www.tri-ad.com to find out more about how to estimate these expenses.*

Ineligible Expenses

- Bleaching of teeth
- Cosmetic surgery
- Fitness programs
- Herbal remedies and supplements used to maintain general wellness
- Massage treatments for stress
- Over-the-counter drugs not for treating a specific medical condition
- Weight loss programs if not prescribed by a doctor
- Toiletries, cosmetics and sundries
- Vitamins

**This list is for illustrative purposes only and is not a guarantee of reimbursement or eligibility. Please review your employer-sponsored benefit plan description and enrollment material for specific information or consult with your employer or personal tax advisor as necessary.*

A Health Care FSA can only reimburse expenses incurred for medical care under Internal Revenue Service (IRS) Code Section 213 if other requirements in the IRS Code requiring proper proof of a valid expense are also met. ***The rules change periodically due to new IRS guidance.***

How To Use Your Dependent Care FSA

The Dependent Care FSA lets you use *tax-free* dollars to pay for child and elder day care expenses that enable you and your spouse to work or attend school full-time. The maximum amount you can contribute to your Dependent Care FSA depends on your federal tax filing status and your annual income. In general, if you earn more than $5,000 annually and you are single, or married and filing a joint tax return, the maximum amount you can contribute is $5,000. If you are married and file separate tax returns, the maximum amount you can contribute is $2,500.

Special rules apply for determining the earned income of a spouse who is disabled, a full-time student or unemployed. Please contact TRI-AD to discuss these situations if they apply to you.

It is important to note that the maximum for the Dependent Care FSA is a "family maximum." If your spouse (if applicable) has this same plan available at his or her employer and chooses to participate, you would combine the amount he or she elected with your election. Your combined election cannot be higher than the maximum that pertains to you.

You can only be reimbursed for an amount up to the amount you have deposited into the account at any given point in the year. Any amount requested over your deposited amount is pended and then paid when further deposits are made. This account is not "pre-funded."

Eligible Dependents

The overall rule is that the dependent must live in your home for at least eight hours per day to qualify for eligible Dependent Care FSA expenses. If that condition is met, then the dependent must fall into one of the following three categories:

- A dependent child age 12 or younger who you claim as a dependent on your income tax return
- Your dependent (such as a child who is over age 12, your parent, your spouse's parent, or any other qualified individual) who is physically or mentally incapable of caring for himself or herself and who you claim as a dependent on your income tax return
- Your spouse who is physically or mentally unable to care for himself or herself

Eligible Dependent Care Expenses

- Care in or outside your home
- Incidental household services, if related to the care of your dependent
- Preschool tuition, if provided as part of the total dependent care
- Before and after school care
- The "day camp" portion of summer camp fees (but not the overnight camp portion)

IRS Guidelines to Remember

- You cannot be reimbursed for dependent care expenses that were paid to one of your dependents, (e.g., your spouse or children under the age of 19)
- If you use a day care center that cares for more than six children, the center must be licensed
- You must include the day care provider's Social Security Number/Employer Identification Number (EIN) on each reimbursement form along with proper receipts for the expense(s) to be reimbursed

Federal Income Tax Credit vs. the Dependent Care FSA: Which Is Best for You?

The IRS allows a tax credit for dependent care expenses. To determine whether the tax credit or the Dependent Care FSA is best, you will need to review your individual tax circumstances. However, there are some general guidelines to consider when making the decision.

You will most likely have a greater benefit from the Dependent Care FSA than from the Tax Credit if you:

- Are eligible for the Earned Income Credit (EIC). Because the Dependent Care FSA contributions lower your taxable wages, they can increase your EIC payments
- Have just one qualifying dependent and you incur more than $3,000 annually in eligible expenses
- Are in the 25 percent or higher marginal tax bracket

You might benefit more from the Tax Credit if your:

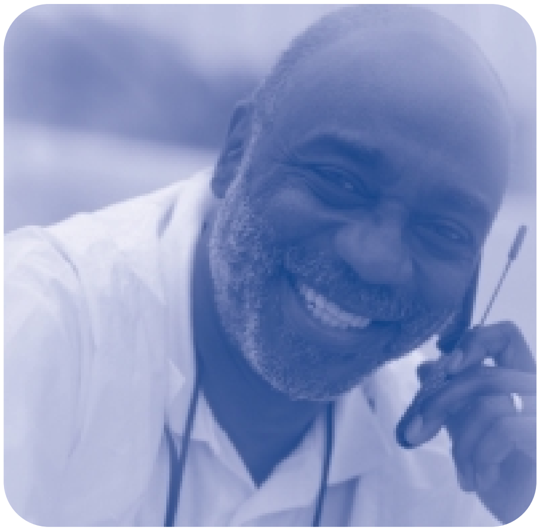
- Household income before Dependent Care FSA is about $37,000 to $39,000. At this level of household income, participating in the Dependent Care FSA may adversely impact your Earned Income Credit (EIC), especially if you have only one eligible dependent and less than $3,000 in dependent care expenses
- W-2 income is about $15,000 or less
- Income is such that you might be eligible for the full Additional Child Tax Credit (ACTC) under IRS Code Section 24. You need to be sure that your participation in the Dependent Care FSA does not lower your earned income to the point where the full ACTC cannot be claimed

You cannot use the same expenses for both the tax credit and the Dependent Care FSA. However, the upper limit for allowable expenses under the tax credit is $6,000, versus the $5,000 for the FSA. If you have more than one eligible dependent and you use the FSA, you may still be able to receive tax credit on expenses exceeding the $5,000 FSA maximum, up to the $6,000 Tax Credit limit. Ultimately, the decision as to which is the right choice for you is one that you must make with the help of your tax advisor. For more information, please refer to IRS Form 2441 – a form substantiating your dependent care expenses that you will need to complete and file with your tax return.

Three Easy Steps To Giving Yourself A Raise

In just three easy steps, you can increase your paycheck by setting aside pretax dollars from your pay into FSAs. You never pay federal, state, Social Security or Medicare taxes on the money you allocate to your FSAs! Throughout the year, you use this tax-free money to pay for eligible expenses.

Simply follow these three easy steps 1) determine your contributions, 2) enroll and 3) submit your claims.



Step 1. Determine Your Contributions

To participate in the FSAs, you must first choose the amounts you would like to have deducted from your pay and deposited into each account. The amounts you elect to contribute to each FSA are called your annual elections. When determining how much to contribute, please keep in mind the Health Care and Dependent Care FSAs are *two separate accounts* and money cannot be transferred between them. In addition, any money left over in either account at the end of the year cannot be rolled over or paid to you in cash. This is an IRS restriction called the “use it or lose it” rule. The only impact it should have is to encourage you to be somewhat conservative when deciding how much to put in your accounts.

Your annual elections will be divided by the number of pay periods in the plan year. For example, if you enter the plan at the beginning of the plan year, elect to contribute $650 to the Health Care FSA, and have 26 pay periods per year, your per-paycheck deduction would be $25.00 ($650 divided by 26 = $25). Each pay period, your elections will be deposited into your Health Care FSA for you to use as needed.

Two Pieces to Help You Succeed

To help you estimate how much you should put into your FSAs please refer to:

- **The Lists of Eligible Expenses** on pages 2 and 3. Listed you will find some of the items that are currently eligible for reimbursement under IRS rules. Because health care expenses can add up quickly, you might be surprised at how much money you can save!
- **The Expense Estimation Worksheet** on page 6. This is a tool you can use to estimate your eligible expenses as you review the list of eligible expenses.

For more information

Please visit TRI-AD’s Web site at www.tri-ad.com. In the Plan Participants section under FSA, you will find an interactive tax savings calculator that will help you determine the savings that you would benefit from if you were to enroll in the FSAs. You will also find the expanded list of eligible expenses.

Step 2. Enroll

Once you determine your annual elections, simply follow your company's enrollment process and start increasing your pay.

Please carefully estimate the amount you elect to contribute. The amount cannot be changed until the next open enrollment unless you have a qualified status change such as a marriage, divorce, birth or adoption of a child. Also, due to the IRS "use it or lose it" rule, any unused balance in your account at the end of the plan year grace period is forfeited.

Step 3. Submit Claim Forms

As you incur eligible expenses during the plan year, submit your receipts with a claim form to TRI-AD and you will be reimbursed from your FSAs. An expense is "incurred" on the date you receive the service or treatment—not when payment is made.

Estimating Your Expenses

Using the list on pages 2 and 3 and the expanded list of eligible expenses on the TRI-AD Web site, you can estimate your out-of-pocket health care costs for next year. Budget only for expected expenses not covered by insurance for you, your legal spouse and eligible dependents. One of the best ways to estimate this is to look at all your expenses for the last calendar year and discard one-time expenses.

Health Care Expenses

Copayments, deductibles, and doctor's office fees	$
Chiropractic, acupuncture	$
Dental and orthodontic expenses*	$
Drug/alcohol addiction therapy	$
Fertility treatments, contraception, and childbirth expenses	$
Hospital fees not covered by insurance	$
Medication: prescription drugs, and over-the-counter drugs used to treat a specific medical condition**	$
Routine exams, physicals, and vaccinations	$
Physical therapy	$
Smoking cessation programs	$
Tuition to special school for the handicapped	$
Vision care: eyeglassess, contact lenses and contact lens solution, LASIK, RK, and vision care	$
Other health care expenses	$
TOTAL	

* Special rules apply to orthodontia – contact TRI-AD before enrolling.

** Please check your plan's documents to determine whether over-the-counter medication expenses are eligible.

Dependent Day Care Expenses

Day care fees	$
Before/after school care	$
Day camp portion of summer camp fees	$
Elder care day care fees	$
TOTAL	**$**

Frequently Asked Questions

When can I enroll?

Generally, elections must be made in advance. This may be done during the following periods:

- Your company's open enrollment period each year
- Special enrollment periods for new hires and other employees who first become eligible during the coverage period
- Upon the occurrence of a qualified status change

When can I change my elections?

Once you enroll, your election will remain in effect for the entire plan year unless you have a qualified status change, such as a marriage, or the birth or adoption of a child. Election changes resulting from a qualified status change must be consistent with the change. For example, you may increase, but not decrease, your Health Care FSA election if you have a baby.

What if I'm not enrolled in my company's health plan?

You can still participate in both Health Care and Dependent Care FSAs.

Why should I participate if I have health care coverage?

Because your out-of-pocket costs are paid with tax-free dollars using the Health Care FSA – providing you with a savings of up to 40 percent on these expenses.

What happens if I terminate my employment or my position is reduced to part-time during the year?

Health Care FSA—Once your employment is terminated or you no longer meet eligibility requirements, your plan year is over. Therefore, the only expenses that are eligible for reimbursement are those you incurred from your entry date through your date of termination. However, if you elect to continue participation in the Health Care FSA under COBRA (with after-tax dollars), you may be reimbursed for expenses incurred after your termination.

Dependent Care FSA—You can still be reimbursed for expenses you incur after your date of termination or position reduction until the end of the plan year. Simply continue submitting the eligible expenses you have on or before the last day of the grace period for the regular plan year and you will be reimbursed all the money you have already contributed to your account.

What happens if I have money left in my account at the end of the plan year?

Due to current IRS regulations, any money left in your FSAs after all claims have been processed for that plan year must be forfeited. You cannot roll your money into the next plan year or be paid in cash. However, there is a grace period after the end of the plan year during which you may submit expenses incurred during that plan year.

When is an expense "incurred"?

Expenses eligible for the plan are those that you incur during the plan year. An expense is "incurred" on the date you receive the service or treatment, not the date you are billed or when payment is made.

When do I have to submit my expenses for reimbursement?

If TRI-AD receives your claim three business days before your company's disbursement date, you will be reimbursed on that reimbursement cycle. Reimbursement is made according to what as been agreed to with your employer. If you choose, and your company permits, your reimbursement may be deposited directly into your bank account.

Please note: If you submit an expense to the Dependent Care FSA, you will be reimbursed up to what you have actually deposited into the account to date. Any balance will be reimbursed as additional deposits are made.

Once the plan year ends for your company, you will have a grace period to submit reimbursement requests to TRI-AD for expenses incurred during the plan year. After the grace period ends, you will not be able to submit additional requests for reimbursement from your closed plan year.

What information do I need to provide to TRI-AD to get my reimbursement?

You must submit a completed claim form with documentation attached to substantiate the expense. Your documentation must contain the description of service, date the service was incurred, cost of the service, the provider and for whom the service was provided. You may download reimbursement forms by logging on to TRI-AD's Web site at www.tri-ad.com. Forms are also available from your company's Human Resources department.

How will I know how much money I have in my account(s)?

You may check your account activity 24 hours a day, seven days a week by calling the Voice Response Unit (VRU) at (888) 844-1372 or by logging on to TRI-AD's Web site at www.tri-ad.com. You will need to know your Social Security Number and Personal Identification Number (PIN).

Account balance information is also provided on the explanation of benefit attached to every reimbursement check or direct deposit advice.

Once a year during the ninth month of the plan year, TRI-AD will send a statement directly to your home.

Who can I call for help?

If you have questions or need help, call the FSA Department at TRI-AD at (888) 844-1372. Business hours are 6:00 a.m. to 5:30 p.m. Pacific Standard Time.

More information is also available in your company's FSA Summary Plan Description (SPD) Document.

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